

SURPLUS RUBBER DISPOSAL PROGRAM

FOURTEENTH REPORT

BY THE

COMMITTEE ON GOVERNMENT OPERATIONS



APRIL 2, 1962.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D.C., April 2, 1962.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: By direction of the Committee on Government Operations, I submit herewith the committee's fourteenth report to the 87th Congress. This report has the unanimous approval of the committee, and is based on a study made by its Foreign Operations and Monetary Affairs Subcommittee.

WILLIAM L. DAWSON, *Chairman.*

BETTER OF THEM-ALL

Honorable Mr. Speaker,
Washington, D.C., April 2, 1962.

Hon. Frank W. McClellan,
Speaker of the House of Representatives,
Washington, D.C.

Dear Mr. Speaker: The Division of the Committee on Government Operations, I submit herewith the committee's fourth report to the 87th Congress. This report has the unanimous approval of the committee and is based on a study made by the Government Operations and Management Studies Subcommittee.

Very truly yours,
John W. McClellan, Chairman

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87TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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SURPLUS RUBBER DISPOSAL PROGRAM

APRIL 2, 1962.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DAWSON, from the Committee on Government Operations, submitted the following

FOURTEENTH REPORT

BASED ON A STUDY BY THE FOREIGN OPERATIONS AND
MONETARY AFFAIRS SUBCOMMITTEE

FINDINGS AND CONCLUSIONS

1. In May 1960, the Congress, by House Concurrent Resolution 582, authorized, as surplus to the stockpile, the disposal of 470,000 long tons of natural rubber, the market value of which approximated \$400 million. As of February 1962, 137,750 long tons had been sold.

2. Statutory responsibility for the disposal of surpluses under the Strategic and Critical Materials Stock Piling Act is vested exclusively in the Office of Emergency Planning. However, that Office, by a policy decision, divested itself of this responsibility by making its disposal actions conditioned on approval by other Government agencies, including the Department of State.

3. Sales of surplus natural rubber have been controlled by so-called price and quantity tables under which the amounts of rubber authorized to be sold are limited by market prices. The price and quantity table concept of disposal was adopted at the insistence of the Department of State, and that Department has, from time to time, successfully resisted efforts of other agencies of the Government to revise disposal procedures by withholding its approval thereof.

4. Judged by their effects, the disposal procedures which have been followed appear to be designed more to prevent depressing the natural rubber market than assuring maximum recovery of U.S. taxpayers' dollars from the sale of surplus natural rubber.

5. If the present disposal policies and procedures are permitted to continue, the rapid technological advances being made in the synthetic rubber industry may, in the near future, result in the United States holding approximately one-half billion dollars worth of unsalable natural rubber.

6. No surplus rubber has been used in our foreign economic aid programs. Instead, purchases of natural rubber have been financed with appropriated foreign aid dollars, thereby contributing to the retention of surplus rubber in the stockpile and also aggravating the very serious balance-of-payments problem.

7. The rubber disposal procedures have resulted in a price support program for a foreign-produced commodity, and, in effect, constitute an adjunct to foreign aid programs. The floor prices established by the Government from time to time are considerably higher than would normally be expected if related to production costs. These support prices, as a long-range proposition, may prove to be a disservice to rubber-producing countries if they cause those countries to delay recognizing, and taking appropriate steps to meet, the ever-increasing competition from synthetic rubber, particularly the new stereo rubbers.

8. The subcommittee can form no judgment as to whether, as an adjunct of foreign aid, the present surplus rubber disposal program is an economic and efficient manner in which to obtain the objectives sought by the Department of State in relation thereto. No evidence has been produced by the agencies and departments concerned that any study of this matter has been made by competent authorities which would permit an informed judgment in this area.

RECOMMENDATIONS

It is recommended that—

1. The surplus rubber disposal procedures be revised so as to permit the Government, at all times, to avail itself of opportunities to dispose of surplus natural rubber in such amounts and at such prices as will not be disruptive of rubber markets.

2. The Office of Emergency Planning revise its policy statement (DMO V-7) so as to retain its full authority to dispose of rubber, and not make that authority subject to the approval of any other department or agency.

3. Consideration be given by the executive branch to declassifying information in connection with the national stockpile, with particular reference to the natural rubber stockpile.

4. The executive branch cause an appropriate study to be made which would serve as a basis for determining to what extent, if any, our surplus disposal program should be correlated with our foreign aid program.

INTRODUCTION

In September 1961, the Subcommittee on Foreign Operations and Monetary Affairs began a study of the stockpiling operations of the Office of Emergency Planning, with emphasis on the surplus natural rubber disposal program. This particular aspect was selected because the subcommittee had received information indicating that the Department of State had injected itself into the rubber disposal program in a manner which caused the volume of sales to be adversely affected, with a consequent diminished dollar recovery.

During the course of the study, the subcommittee took testimony from representatives of the Office of Emergency Planning, the Department of State, and the General Services Administration.

DEVELOPMENT OF THE NATURAL RUBBER STOCKPILE

The stockpiling of strategic and critical materials for defense purposes was first authorized in 1939 (Public Law 117, 76th Cong., 53 Stat. 811). In 1946, that act was materially amended, and was named "The Strategic and Critical Materials Stock Piling Act" (50 U.S.C. 98-98h). As amended, the act provides for the establishment and maintenance of a national stockpile of strategic and critical materials.

The first concentrated effort of the Government to accumulate a stockpile of natural rubber was inaugurated by the Reconstruction Finance Corporation in June 1940, through its subsidiary Rubber Reserve Company. These activities continued throughout the period of World War II, and, through rigid allocations and restrictions on the use of natural rubber, plus the construction of facilities to produce synthetic rubber, the rubber so acquired proved sufficient to satisfy necessary World War II military and civilian requirements. As a result of the Government's wartime experience with scarcity of supplies, natural rubber was placed on the list of materials deemed strategic and critical. The first stockpile objective for natural rubber was established on January 2, 1945.

After enactment of the Strategic and Critical Materials Stock Piling Act Amendments in 1946, the Reconstruction Finance Corporation transferred its then stockpile of natural rubber to the Procurement Division of the Treasury Department, predecessor to the General Services Administration. Under the act, as amended, the General Services Administration (subject to directives issued by the Office of Emergency Planning and its predecessors) is charged with the purchase, storage, maintenance, rotation, and disposal of stockpiled materials. Subsequently, stockpile objectives for natural rubber were established, under which rubber was procured by the General Services Administration. The last such objective was established in 1950, and the procurement of the material was completed in 1954. Except for purposes of rotation, no natural rubber has been purchased for the stockpile since 1954.

Responsibility for determining which materials are strategic and critical, and the quantities and qualities to be stockpiled, which had been vested over the years in various officials and agencies of the Government, on July 1, 1958, became vested in the Director of the Office of Civil and Defense Mobilization by Executive Order No. 10773 (23 F.R. 5061), issued under Reorganization Plan No. 1, section 1(b) (72 Stat. 1799). That Office, on September 22, 1961, became the Office of Emergency Planning (Public Law 87-296, 87th Cong., 75 Stat. 630). Under the Strategic and Critical Materials Stock Piling Act, as amended, the Secretaries of State, Treasury, Agriculture, and Commerce are to designate representatives to "cooperate" with the Office of Emergency Planning in carrying out the stockpiling provisions of the act.

Specific information concerning the strategic and critical materials constituting the national stockpile always has been, and still is, classified information. Although there is doubt concerning the need or desirability of continuing this secrecy, detailed information concerning the natural rubber stockpile cannot be disclosed. It can be said, however, that from the standpoint of dollars invested, natural rubber is perhaps the largest single item in the national stockpile.

PROPOSED DISPOSAL

The 1939 act contained no provision for the disposal of stockpiled materials. That act was amended in 1946, by adoption of the Strategic and Critical Materials Stock Piling Act, which, as amended, specifies both the mechanics and the criteria for the disposal of any stockpiled materials no longer needed by reason of any revised determination. Under the act, no disposition may be made without first publishing a statutory notice of the reasons for the revised determination, the amounts of materials proposed to be released, the plan of disposition to be followed, and the date the material is to become available for sale or transfer, and, except in the case of obsolete material, the disposal must be approved by the Congress. The statutory criteria governing the disposition of materials which are to be determined to be surplus to defense requirements are:

(a) The protection of the United States against avoidable loss on the sale or transfer of the material to be released; and

(b) The protection of producers, processors, and consumers against avoidable disruption of their usual markets.

On September 15, 1959, a notice was published in the Federal Register (24 F.R. 7430), by the Administrator of the General Services Administration, giving notice of a proposed disposition of approximately 470,000 long tons of natural rubber then held in the national stockpile. The pertinent disposal provisions are as follows:

Sales will be negotiated on the basis of prevailing market prices. While it is the objective of the General Services Administration to dispose of the entire quantity of 470,000 long tons over a period of about 9 years (about 50,000 long tons a year on the average), the quantities actually released from time to time may vary considerably in order to avoid undue disruption of markets.

This plan of disposition has been fixed with due regard to the protection of producers, processors, and consumers against avoidable disruption of their usual markets as well as the protection of the United States against avoidable loss on disposal.

Since, under the law, congressional approval of the proposed disposal of surplus natural rubber,¹ in accordance with the published plan of disposal, was required, House Concurrent Resolution 582 was introduced in the House of Representatives on February 4, 1960. After public hearings and report by the House Committee on Armed Services, the resolution was approved by the House of Representatives on March 30, 1960. The Committee on Armed Services of the Senate reported the concurrent resolution without holding hearings, and it was approved by the Senate on May 4, 1960.

On October 30, 1959, prior to approval of House Concurrent Resolution 582, a graduated scale had been established by the Office of Civil and Defense Mobilization, limiting the quantities of rubber that could be disposed of within stated price ranges by the General Services Administration as follows:

¹ The disposal of surplus natural rubber from the stockpile actually commenced on Oct. 16, 1959, pursuant to authority contained in the Independent Offices Appropriation Act, 1960, to rotate without replacement. Approximately 60,000 long tons were disposed of pursuant to this authority. Following the approval of H. Con. Res. 582, the General Services Administration discontinued the rotation of natural rubber without replacement, as authorized under the provisions of the Independent Offices Appropriation Act, 1960, and the sale of surplus natural rubber from the national stockpile, since May 4, 1960, has been conducted under the authority approved in H. Con. Res. 582.

Price range (cents per pound):	<i>Maximum disposal per calendar quarter (long tons)</i>
Under 30-----	No disposals.
30 up to but not including 32-----	9,000.
32 up to 34-----	18,000.
34 up to 36-----	27,000.
36 and above-----	No limit.

On December 10, 1959, the Director of the Office of Civil and Defense Mobilization issued revised Defense Mobilization Order V-7, captioned "General Policies for Strategic and Critical Materials Stockpiling," which was published in the Federal Register on December 19, 1959 (F.R. Doc. 59-10745).

Paragraph 14 of the revised Order V-7, under "Disposals," prescribes the conditions governing the disposal of excess stockpile materials, which, so far as pertinent, provides as follows:

The Director of the Office of Civil and Defense Mobilization will authorize the disposal of excess materials whenever possible under the following conditions: (a) avoidance of serious disruption of the usual markets of producers, processors, and consumers, (b) avoidance of adverse effects on international interests of the United States, (c) due regard to the protection of the United States against avoidable loss, and (d) except when the materials are channeled to other agencies for their direct use, approval of the Departments of the Interior, Commerce, State, Agriculture, and Defense, and other governmental agencies concerned, and consultation as appropriate with the industries concerned.

PROGRESS ON DISPOSAL

Sales of surplus natural rubber from the stockpile during the period from October 16, 1959, to December 31, 1960, totaled 97,871 long tons. According to Office of Emergency Planning and General Services Administration witnesses, the volume of sales during this period was attributable to a shortage of natural rubber on the commercial market, which occurred in late 1959 and continued in 1960. Thirty-five thousand long tons sold in that period was deteriorated natural rubber which had been in storage for more than 20 years. This was sold on an "as is" basis at a flat discount of 2 cents per pound. During this period, market price fluctuated from a low of 28 cents per pound to a high of 48 cents per pound.

In 1961, stockpile sales totaled only 29,879 long tons. In that year, the supply-demand position was reasonably in balance and the market was unusually steady, continuously hovering around 30 cents per pound, with an average price for the year of 29.606 cents. On occasions during the year, the General Services Administration suspended sales of surplus natural rubber, due to the limitations imposed by the price and quantity table. A General Services Administration witness estimated that had it not been for these restrictions, additional surplus natural rubber totaling approximately 30,000 long tons could have been sold. Sale of an additional 30,000 long tons of surplus natural rubber at the average market price for the year would have resulted in a return to the Government in excess of \$20 million, and could have correspondingly reduced the amount of deteriorated rubber in the stockpile.

January and February 1962 stockpile sales were 5,000 long tons each month, the limit prescribed by the current operational directive

of the Office of Emergency Planning. Due to these limitations, the permissible quotas for those 2 months in 1962 were reached on January 20 and February 13, respectively, after which dates sales of surplus rubber for those months were discontinued. General Services Administration testimony showed that additional quantities could have been sold during those months because demand therefor existed.

In brief, as of the close of business on February 28, 1962, the General Services Administration has disposed of 137,750 long tons of surplus natural stockpile rubber, and of the 470,000 long tons of natural rubber which had been declared surplus, 332,250 long tons remained to be sold.

Among the economic factors considered by purchasers of surplus stockpile rubber, in addition to those of availability of other supplies and price, are these: Only the four highest grades of natural rubber are in the stockpile, whereas the major U.S. consumption is of lower grades; it has been in warehouses from 2 to over 20 years; 90 percent of the stockpile rubber is frozen and must be thawed before use. The industry's thawing capacity is limited, and buyers of the stockpile rubber incur the costs of thawing, plus the additional expenses of delivery from warehouses located throughout the United States, rather than at a port of entry; users prefer freshly imported rubber and generally limit purchases of surplus stockpile natural rubber to "fill-ins," occasioned by miscalculations of requirements or the inability to obtain freshly imported natural rubber; and the availability of usable synthetics. In this connection, although the strength of its impact has yet to be felt, the increased production and consumption of two new types of synthetic rubber—cis-polyisoprene and cis-polybutadiene—commonly called stereo rubbers and reported to be interchangeable with, and complete substitutes for, natural rubber—can reasonably be expected to reduce the consumption of natural rubber and, correspondingly, affect the future sale of surplus natural rubber from the stockpile.

Marketing limitations such as these have made it necessary for the Government to make concessions to place the surplus stockpile rubber on a competitive basis with that which is freshly imported. Thus, a flat discount of 3/4 cent per pound has been allowed on all rubber sold from the stockpile to offset age, thawing costs, and the buyer's additional expenses. The compensatory discount is additional to any allowances made for quality or for other reasons at the time of delivery.

FAILURE TO UTILIZE SURPLUS RUBBER INSTEAD OF DOLLARS IN FOREIGN AID PROGRAMS

As early as August 31, 1960, Subcommittee Chairman Hardy suggested to the Office of Civil and Defense Mobilization (now Office of Emergency Planning), by letter, that the International Cooperation Administration use surplus natural rubber instead of dollars in foreign aid programs designed to finance the purchase of natural rubber. By letter of September 19, 1960, the Director of OCDM indicated that the disposal of surplus natural rubber presented no problem because "there is an ample domestic demand capable of absorbing quantities offered for sale."

On December 19, 1960, this suggestion was again called to the attention of the Office of Civil and Defense Mobilization, by letter of

Chairman Hardy, because at that time the disposal program was practically at a standstill and a foreign aid allocation of \$800,000 had been made to a foreign government to be used for the purchase of rubber and rubber products. In view of the seriousness of the balance-of-payments problem, the chairman's letter also called attention to the importance of reducing the flow of dollars to foreign countries to the greatest extent possible. The reply disclosed that while the matter was being considered, no conclusion had been reached.

The possible use of surplus rubber in foreign aid programs was also discussed at meetings of the interested Government agencies, and early in 1961 the Director of the Office of Civil and Defense Mobilization addressed a letter to the Secretary of State urging that surplus natural rubber be used in lieu of dollars in connection with foreign aid programs and stating that the executive branch of the Government subscribed to the suggestion and also that the idea would appeal to the Congress. However, to date, not one pound of surplus natural rubber has been used, in lieu of dollars, in foreign economic aid programs.

During fiscal years 1960 and 1961, while surplus natural rubber was available, the International Cooperation Administration made dollar grants totaling more than \$18 million to foreign countries for the purchase of natural rubber.

EFFECTS OF THE PRICE AND QUANTITY TABLES

The Strategic and Critical Materials Stock Piling Act, as amended, requires that the Office of Emergency Planning—

shall direct the Administrator of General Services to * * * dispose of any materials * * * which are no longer needed because of any revised determination. * * *. The plan and date of disposition shall be fixed with due regard to the protection of the United States against avoidable loss on the sale or transfer of the material to be released and the protection of producers, processors, and consumers against avoidable disruption of their usual markets * * *.

The "General Policies for Strategic and Critical Materials Stockpiling" of the Office of Emergency Planning (DMO V-7), issued December 10, 1959, provide that that Office will authorize the disposal of excess materials under the conditions of the statutory criteria; i.e., protection of the United States against avoidable loss, and protection of producers, processors and consumers against serious disruption of usual markets. That order also makes sales subject to these conditions *additional to those specified in the statute* [italics supplied]:

* * * (b) avoidance of adverse effects on international interests of the United States,

(d) * * * approval of the Departments of the Interior, Commerce, State, Agriculture, and Defense, and other governmental agencies concerned, and consultation as appropriate with the industries concerned. * * *.

The directives issued to the General Services Administration by the Office of Emergency Planning governing the procedures for the sale of surplus rubber have been predicated upon so-called price and quantity tables under the provisions of which the amount of rubber authorized to be sold is determined by market prices.

As was shown by testimony, the Department of State was the agency of the Government which advocated the price and quantity table concept. As is disclosed by State Department Bulletin for January 16, 1961, that Department had conferred fully with foreign governments on the subject prior to adoption of such table, and the U.S. Government had—

informed the other substantially interested governments
* * * that it was its intention not to adopt any change of
any substantial nature in its disposal program without first
consulting them.

The initial directive to GSA to adopt the price and quantity table was issued on October 30, 1959, and provided that when the market price was 36 cents per pound or more, unlimited quantities would be sold; when the market price was below 30 cents per pound, no rubber would be sold, and varying quantities would be sold within the price ranges.

Due to the limitations of the original price and quantity table, when the market price fell below 30 cents per pound, in November 1960, sales of surplus natural rubber from the stockpile were intermittently discontinued. However, it was not until 1 year later, in 1961, that the price and quantity table was rescinded and a revised interim program adopted.

That directive was superseded on November 1, 1961, by a new directive which authorized the sale of unlimited quantities at contract prices above 32 cents per pound, and 5,000 long tons per month at contract prices below 32 cents per pound.

After the U.S. Government had decided to revise its disposal procedures in 1961, lengthy consultations were conducted by the Department of State with foreign governments through the American ambassadors in such countries. The net result of these consultations was a wave of violent and intemperate criticism of the U.S. Government when the revised disposal program was announced on November 1, 1961. The Department of State then invited representatives of the rubber-producing countries to meet in Washington for a further discussion of the program. The meeting, attended by representatives of eight rubber-producing countries, was held on December 19-20, 1961. Among other things, it was suggested that a second meeting would be held in Washington in May-June 1962 for further discussions. As a result of the December meeting the disposal procedures were again revised on January 11, 1962.

That interim procedure, after being in force for less than 90 days, was revised on January 11, 1962, to the current procedure. It followed the initial disposal concept in that the quantity of rubber to be sold each month was to be controlled by the market price for the material. However, under the current procedure, the controlling market price is the average price for No. 1 Ribbed Smoked Sheets for the preceding month, as determined by daily quotations of the Rubber Trade Association of New York, Inc. That directive permitted

(subject to the limitation that sales may be reduced if the market shows significant relative weakness) sales on the following scale:

Price range (cents per pound):	Maximum disposal per month (long tons)
Under 28-----	5,000 of deteriorated rubber.
28 up to 32-----	5,000.
32 and above-----	No limit.

As was the case with the initial price and quantity table, if the conditions required by the table are not present, the Government cannot at all times sell surplus natural rubber, even though the opportunity to sell should exist.

The stockpiling and disposal functions of the General Services Administration, defined in the Strategic and Critical Materials Stock Piling Act, as amended, do not include statutory authority to make policy decisions. Its operations are subject to, and controlled by, directives issued by the Office of Emergency Planning.

For more than 15 years, GSA (and its predecessor) has conducted the purchase and sale of all natural rubber for the Government, including original acquisition, rotation, and disposal. Testimony disclosed that GSA was opposed to the adoption of the price and quantity table in the first instance, and does not agree with the present disposal procedures under which the quantity to be sold is controlled by market prices. GSA claims that, at times, these procedures work to prevent the sale of rubber although the opportunity to sell exists.

GSA believed that the best interests of the Government would be served through the adoption of a program authorizing the sale of a maximum monthly quantity of 10,000 long tons of surplus natural rubber at market prices. The following reasons were given for that position:

(1) The free market would be able to digest and adjust to the sale of 10,000 long tons per month without difficulty; (2) by offering this amount for sale without regard to price, the Government could not be charged with attempting to rig, fix, or control the price of natural rubber; (3) such sales would be sufficient to maintain the stockpile in a "fresh" condition; and (4) being constantly in the market would enable the Government to establish customer relationships directly with consumers who could then rely upon the Government for a portion of their monthly requirements.

DEFENSE MOBILIZATION ORDER V-7

Defense Mobilization Order V-7; i.e., the "General Policies for Strategic and Critical Materials Stockpiling," as revised on December 10, 1959, provides that the Director of the Office of Civil and Defense Mobilization (now the Office of Emergency Planning) will authorize the disposal of excess stockpile materials conditioned, *inter alia*, on "approval" of the Departments of the Interior, Commerce, State, Agriculture, and Defense, and other governmental agencies concerned.

No such condition requiring "approval" is contained in the Strategic and Critical Materials Stock Piling Act, as amended, nor was it inserted in the Defense Mobilization Order V-7, effective June 30, 1958 (23 F.R. 4333), which the present order supersedes. The act requires only that the interested departments appoint representatives

to "cooperate" in carrying out the provisions of the act. Revised DMO V-7, however, conditions disposals on the "approval" of interested departments and agencies.

This condition is interpreted by the Office of Emergency Planning as a determination under which it has bound itself, not as a matter of law, but of policy, to obtain the affirmative approval of interested agencies before authorizing any sales of surplus stockpile property.

So long as that policy remains in effect, the named departments and other "concerned" agencies of the Government, or any of them, are empowered, by withholding approval, to prevent the Office of Emergency Planning from making any changes in the disposal program, although statutorily the full responsibilities for disposal are vested in OEP.

From executive branch testimony before the subcommittee it appears that the Department of State had used this condition to exercise a dominant position in the disposal program.

This is confirmed by the minutes of certain meetings of the Inter-agency Advisory Committee on Disposal of Natural Rubber, a committee composed of representatives from the OCDM, the Departments of State and Commerce, and the General Services Administration. On November 10, 1960, when surplus rubber sales had been discontinued due to the restrictions contained in the price and quantity table, the General Services Administration recommended revision of the disposal procedures in the interest of greater sales. Subsequently, on February 15, 1961, the Office of Emergency Planning presented a revised price and quantity table for consideration. While all other agencies concerned urged revision, the Department of State withheld its approval, and no change was made until the revision of November 1, 1961.

ESTIMATED POTENTIAL LOSS

It appears, based upon testimony taken, that the Government will sustain a substantial loss from its natural rubber stockpile operation, and that, depending upon the progress of disposal over the next few years, could wind up with close to one-half billion dollars of unsalable rubber. The latter is a very real possibility, since the new synthetic rubbers may substantially replace the demand for natural rubber before the disposal of the present surplus has been completed. The average annual commercial consumption of natural rubber in the United States for 1960 and 1961 was approximately 450,000 long tons.² Although production of the new stereo rubbers has just recently begun, the U.S. annual production capacity for the years 1962, 1963, and 1964 is estimated at 140,000, 200,000, and 250,000 long tons, respectively.

Other factors contributing to a potential loss to the Government from the rubber stockpile operation are: (1) Decline in the value of the rubber due to the differential between the acquisition costs and the lower current market prices; (2) storage and handling charges; (3) compensatory discounts, to compete with freshly imported natural rubber prices; and (4) discounts on deteriorated rubber, already substantial, and which can be expected to increase with the increased length of storage.

² This consists of approximately 400,000 long tons of dry natural rubber and approximately 50,000 long tons of liquid latex.